

FROM THE EXECUTIVE OFFICER'S DESK

Marketing Our Co-operative Advantage

By Graeme Charles

The Federation and the Warrnambool Co-operative Society will be jointly hosting the visit to Victoria of **Tom Webb**, from Global Co-operative, a Canadian-based co-operative consulting firm.

Mr Webb was formerly the director of the Extension Department at St Francis Xavier University, birthplace of Canada's Antigonish co-operative movement.

There will be two workshops in Warrnambool on May 13 and 14. The first will be for Warrnambool staff and directors, while the second will be open to co-operatives from throughout Victoria.

Mr Webb will also be conducting MOCA workshops and speaking, in New Zealand, NSW and Western Australia during May.

MOCA promotes the idea that there are opportunities for co-operatives that reflect their pride in their marketing; not only in the products and services they sell, but in who they are as co-operatives.

In any transaction to meet our needs, the transaction should be different if it is based on co-operation. Marketing is no different! The co-operative nature of the transaction is its strongest value-added feature.

Because a co-operative is a group of people working together to meet their needs, all transactions should reflect an openness and trust not possible if each party is out to benefit at the expense of others.

That is the co-operative advantage.

MOCA is an exciting new approach to marketing and education in co-operatives. It can provide leading-edge ideas about how your co-operative can use its co-operative nature as a unique selling point.

Key elements

MOCA is:

- founded on the belief that the co-operative nature of our business is our key asset and a source of value in market differentiation;
- premised on the knowledge that co-operatives are of increasing value in a global world economy in



which people are concerned about enhancing their influence over their economies, protecting the ecology that sustains life on our planet, enhancing democratic values, and fairly distributing wealth in our world;

- based on the co-operative principles, especially the principle of education, and the belief that living and effectively communicating those values builds membership, increases sales, and strengthens the financial stability of the co-operative;
 - rooted in sound market research that shows people do value co-operatives and credit unions, and the principles upon which they rest;
 - celebrates marketing efforts that work, seeks to understand the challenges faced, and facilitates sharing the lessons learned across co-operative industry sectors;
 - encourages the synergy that comes from cross-sector marketing, where different types of co-operatives and credit unions reinforce each other's marketing impact; and
 - encourages co-operatives to link their marketing, communications, education and strategic planning efforts to ensure they focus on effectively communicating and consistently delivering the co-operative advantage to members and the public.
- The workshop will help your co-operative rethink its marketing, by reflecting on these key questions:
- I know what marketing is for an investor-driven enterprise, but what does it mean for a co-operative?

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What to expect

This an outline of a generic MOCA workshop by Tom Webb to give you an idea of what to expect.

- **The challenges of globalisation and the strengths of co-operatives**
 - **Education, co-operation and marketing**
 - **But what if they don't love co-ops?**
 - **But does it really work?: case studies**
 - **Applying MOCA in your co-operatives**
- The workshop will be driven by computer slides, prepared handouts and participants working in groups of six to eight people.**

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- If co-operatives are committed to education, what is the relationship between co-operative education and marketing?

That second question is sure to be a challenge for Mr Webb. I don't see many, if any, co-operatives committed to member education. This is one of the great problems the sector is confronted with today.

If our co-operative members don't understand the rationale behind their co-operative and their membership, then existing co-operatives will always be at the mercy of the forces of demutualisation.

Even worse, those members will never be advocates for the co-operative option.

Informed and educated co-operative members are always going to be the strongest advocates of the benefits of co-operation when new co-operative opportunities are being considered.

"Great marketing learns from what others are doing. Great MOCA is no exception!," Mr Webb says.

"Not in copying their work, but by learning from it in

a way that is consistent with what co-operatives are. What are the tried-and-true marketing concepts that work and what can we learn from them?

"Great marketing also depends on research. It is important not only to believe in ourselves, but also to understand how others see us. How they will filter our message and how receptive they are to that message?

"Finally we need to ask, how has this worked for others? This is what Marketing Our Co-operative Advantage: The Workshop is all about!"

The Warrnambool Co-op. has more than 8750 members, 110 full-time and 100 part-time staff, and operates a number of divisions (see Member Profile, this issue).

The MOCA workshops will be an opportunity to visit the beautiful south-west Victorian coastal city of Warrnambool, see a thriving co-operative first-hand, and learn how to market your co-operative using your co-operative advantage.

For full details of the MOCA workshop, see the flyer enclosed with this newsletter or contact me at the Federation office.

CHAIRMAN'S REPORT

Co-operative politics

By David Griffiths

Recently, the UK Co-operative Commission released its report, 'The Co-operative Advantage: Creating a successful family of co-operative businesses' (January 2001).

It is a useful report that could help any government define and develop its relationship with the co-operative movement.

Since the 1920s, the UK relationship has been based on a partnership between the co-operative movement, trade unions and the Labour Party.

There is, of course, a difference between the 'ideal' and the 'real' relationship, and disagreements about its validity and experience.

The co-operative movement in Australia has a different and bipartisan approach to government – similar to the co-operative movement in the US.

Successive Victorian Governments have provided project funding support for the Federation. This year we have received support from the Department of Agriculture and the Office of Fair Trading and Business Affairs.



In an effort to encourage dialogue, I have forwarded copies of the Co-operative Commission report to:

- **Steve Bracks**, Premier;
- **Marsha Thomson**, Minister for Small Business;
- **Keith Hamilton**, Minister for Agriculture;
- **John Brumby**, Treasurer and Minister for State and Regional Development;
- **Carlo Carli**, Labor MP;
- **C.A. Strong**, Liberal MP;
- **Denis Napthine**, leader of the Liberal Party; and
- **Peter Ryan**, leader of the National Party.

Two responses have been received.

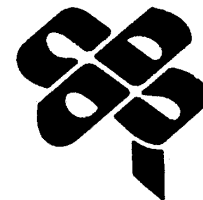
In a letter dated March 6, Mr Ryan assured us: "The content of the report is certainly something we will take into account for the purpose of policy development leading into the next election."

In his letter, dated March 15, Mr Napthine thanked us for the "interesting report" and suggested that we consider meeting with the Shadow Minister for Rural and Regional Development and Shadow Minister for Small Business and Consumer Affairs, **Bill Forwood**.

We will certainly meet with Mr Forwood – and any other politician.

Notes from March 21 board meeting

- Agriculture: The executive officer has commenced work on a project funded by the Department for



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- Natural Resources and Environment, 'Co-operative Development for Rural Community Groups and Emerging Agricultural Industries'.
- Co-operation Awards: The Co-operation Awards have been suspended this year and their continuation is subject to review. Members are invited to contribute their ideas.
- Co-op Advantage: The Office of Fair Trading and Business Affairs-funded 'Co-op Advantage Developing Directors of Co-operatives' kit is being prepared for printing.
- Dairy co-operatives: The board has agreed to issue a statement about co-operatives in the dairy industry that emphasises the importance of the co-operative structure and option.
- New member: A new member was admitted – North East Flower Growers Co-operative.

- Resignation: **Ron Stone** of the Ballarat Community Development Co-operative has resigned from the board. His resignation was accepted with regret.
- Web site: Work is proceeding on the Federation's web site. It is hoped that the site will be launched in May 2001. The site will include legislation information sheets, discussion papers and advice about co-operative formation.

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BOOK REVIEW

Co-operatives and the Third Sector

An important, leading-edge book about the third sector has been released by Allen & Unwin, 'Third Sector: The contribution of non-profit and co-operative enterprise in Australia'.

Written by **Mark Lyons**, a co-director of the Australian Centre for Co-operative Research and Development (ACCORD), it is the first book to provide an overview of the third sector in Australia.

Lyons argues that the third sector encompasses all those organisations that are not part of the public or business sectors. The third sector consists of private organisations that are:

- formed and sustained by groups of people (members) acting voluntarily and without seeking personal profit to provide benefits for themselves or for others; and
- democratically controlled and where any material benefit gained by a member is proportionate to their use of the organisation (p.5).

Lyons succeeds in indicatively encapsulating the significant contribution of the third sector and its central role in Australia's social, economic and political life since the 19th Century and establishing a claim that the third sector makes a larger contribution to the Australian economy than the third sector in many other countries.

However, Lyons brief history of the third sector is useful but selective. There is a tendency to understate the significance of co-operatives in the third sector and, instead, emphasise their decline.

In an attempt to impose universality Lyons mis-states the position of co-operatives and how they differ from other third sector organisations. It is suggested, for example, that third sector organisations "should price their income generating services at the lowest

possible cost to their members and should therefore have little or no surplus at the end of their reporting period."

This claim invites further analysis. The survival and growth of co-operatives depends on generating a surplus for both contingencies and further investment and the possible payment of dividends to members.

A dependency on government funds limits the capacity of some third sector organisations to generate a surplus. Further, it is misleading not to recognise that there are third sector organisations, including co-operatives, where all or most users are not members.

Lyons argues that democratic control "is what distinguishes the third sector from for-profit firms". But what distinguishes co-operatives from some other third sector organisations is that the members are the users of the co-operative.

While Lyons argues that almost all third sector organisations have members, he also acknowledges that many third sector organisations exist for themselves or others – a fundamental difference.

The nature of third sector dependency on government is further exemplified by analysing income sources of third sector organisations. Taking Lyons's figures, it is possible to establish the proportion of government as a source of income for co-operatives and other third sector organisations. Government as an income source is only 0.42% for co-operatives but 99.57% for other third sector organisations.

'Third Sector' is essential reading for an overview of the third sector but its recognition of co-operatives is limited and limiting, and there is an implicit assumption that co-operatives are the least likely to adapt to new circumstances.

– David Griffiths

Warrnambool Co-operative Society

The Warrnambool Co-operative Society Ltd or 'the Co-op' as it is generally referred to in Warrnambool is a wonderful example of a successful Victorian co-operative.

Back in 1960, 32 farmers subscribed £7/-10 each to get the co-op under way. The Allansford & District Artificial Breeders Co-operative was formed on March 23, 1960, with a share capital of \$480.

Today, now known as the Warrnambool Co-operative Society, it is a thriving business with a sales income in excess of \$32 million and net assets of \$8.5 million. Its membership is around 8750, which equates to something like 32,000 people when members' families are taken into account.

The Co-op's principal activities and respective turnovers are:

- retail sales (Retail and Rural Divisions), including satellite stores in Terang and Colac Retail store \$10,067,850 and Rural store \$14,801,316;
- herd improvement (through the Western Herd Division \$4,518,939); and

- milk harvesting services (Milk Harvesting Division \$1,757,196).

It also provides employment for 110 full-time and 100 part-time staff.

The Co-op's former chairman, **Frank Creed**, who passed away last year, said in his 2000 Review: "The value of membership is a high priority of the Board and management team, and we will go on adding benefit within the confines of a successful operation."

Member benefits include point-of-sale discounts on all goods purchased, twice yearly 'Members Days' when point-of-sale discounts are doubled, and the highly successful 'Co-Card'.

The Co-Card is a scheme available to members whereby purchases made at participating businesses are then invoiced on the members' monthly co-op statement. It is a charge card and point-of-sale discounts are received by the member on the majority of Co-Card purchases.

There are more than 200 Co-Card participating businesses, ranging from accommodation to

windmill repairs. Significant categories available to members include tyres, plumbing supplies, jewellers, insurance, auto repairs, chemists, furniture, fuel, photographic supplies and electrical whitegoods.

"Since its inception, less than five years ago, the Co-Card has given \$1 million back to members by way of discounts," says marketing and membership manager, **David McKenzie**.

The Co-op publishes a quarterly newsletter to keep its members fully informed of changes and developments which might affect or interest them.

It also maintains its commitment to community activities, providing more than \$15,000 to local charities and not-for-profit organisations during its most recent financial year.

Such actions are a tangible demonstration of the co-operative living its "commitment to play an effective role in the community".

The co-operative remains a significant contributor to the local economy, which it has impacted positively on since it first began in 1960.

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